

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HAROLD TELEPHONE)
COMPANY, INC., FOR AUTHORITY TO)
EXECUTE A NOTE IN THE AMOUNT OF)
\$1,867,950.00 TO THE RURAL TELEPHONE)
BANK, RURAL ELECTRIFICATION ADMIN-) CASE NO. 8823
ISTRATION, UNITED STATES OF AMERICA,)
FOR THE PURPOSE OF IMPROVING AND)
EXTENDING TELEPHONE SUBSCRIBERS AND)
TO MAKE RELATED IMPROVEMENTS)

O R D E R

On May 2, 1983, Harold Telephone Company, Inc., ("Harold") filed with the Commission its application for authorization to borrow \$1,867,950 from the United States of America acting through the Rural Telephone Bank ("RTB"). The proceeds of the proposed loan would be used to provide service to new subscribers to make related improvements, and to complete previous construction projects.

Discussion

Harold, a Rural Electrification Administration ("REA") borrower Utility, serves subscribers in a three-exchange system located in Eastern Kentucky. The Harold Exchange is located in parts of Pike and Floyd counties, and the Grothel and Wheelwright exchanges are located in Floyd County.

Harold proposes to borrow \$1,867,950 from RTB at an interest rate of 11.5 percent per annum to be repaid over a 35-year period. The proceeds of the proposed loan will be used to

complete loan proposals relative to Public Service Commission Case No. 8294¹ dated January 26, 1982, in which the Commission granted authority to borrow \$1,014,190 from REA. The original project required \$2,795,466, but the entire amount was not borrowed at the time because REA was short of loan funds. The proceeds of the proposed loan will also be used to extend services to 755 new subscribers, to provide for contingencies and other system improvements in the Harold Exchange and additions to existing toll and EAS facilities, to invest \$88,950 in Class B stock in RTB, and to cover engineering, legal, and accounting fees and other contingencies.

Findings and ORDER

The Commission, after consideration of the application and all evidence of record and being advised, is of the opinion and finds that:

(1) A public hearing is not required in this matter since questions related to the proposed construction program have been addressed in the written record, and Harold has stated affirmatively that the approval sought herein will not result in a request for a rate adjustment;

¹ Case No. 8294, In the Matter of Application of Harold Telephone Company, Inc., Floyd County, Kentucky 41635, for authority to execute an amendment to the telephone loan contract and to execute a note in the amount of \$1,014,190 to the Rural Telephone Bank for the purpose of improving and extending telephone subscribers and to make related improvements.

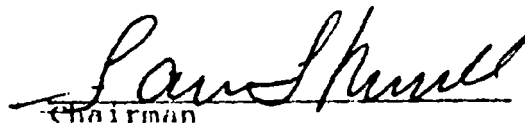
(2) A certificate of public convenience and necessity is not required since one was granted for the construction project in Case No. 8294 and further construction plans which are in accordance with normal system upgrade are considered to be extensions in the ordinary course of business; and

(3) Harold is seeking to borrow funds from the RTB. On November 12, 1982, the Franklin Circuit Court issued its opinion in West Kentucky RECC v. Energy Regulatory Commission. Therein, the court held that the PSC had no authority to approve or disapprove borrowings from the REA since the REA is an agency of the federal government and KRS 278.300(10) exempts such borrowing from PSC regulation. Accordingly, the Commission takes no action on the RTB proposed borrowing since RTB is a branch of REA.

IT IS THEREFORE ORDERED that Harold be and it hereby is granted authority to continue requested construction under the certificate of public convenience and necessity issued in Case No. 8294.

Done at Frankfort, Kentucky, this 13th day of June, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:

Secretary


Commissioner